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JUN 30 1998

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CC: 96-45

June 26, 1998

VIA MESSENGER

Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

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JUN 26 1998

Federal Communications Commission
Office of Secretary

Re: Joint Petition for Waiver of the Definition of "Study Area"
Contained in Part 36 and Sections 61.41(c), 69.3(e)(6) and 69.3(g)(2)
of the Commission's Rules filed by Kendall Telephone, Inc. and
Wisconsin Bell, Inc. on May 13, 1998 (DA 98-1000).

Enclosed on behalf of Kendall Telephone, Inc. and Ameritech Wisconsin are an
original and five copies of a Reply to Ex Parte Submissions for the above-referenced proceeding.
In the event there are any questions concerning this matter, please let me know.

Sincerely,



Johanna Mikes

Enclosures

cc: Craig Brown, Deputy Chief, CCB Accounting Policy Division
Adrian Wright, CCB Accounting Policy Division
Marty Schwimmer, CCB Network Services Division
Sonja Rifken, Special Assistant to the Chief, Common Carrier Bureau

RECEIVED

JUN 26 1998

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

Federal Communications Commission
Office of Secretary

In the Matter of)
)
Kendall Telephone, Inc.)
and)
Wisconsin Bell, Inc.)
)
Joint Petition for Waiver of the)
Definition of "Study Area" Contained in) DA 98-1000
Part 36 and Sections 61.41(c), 69.3(e)(6))
and 69.3(g)(2) of the Commission's Rules)

REPLY TO EX PARTE SUBMISSIONS

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REPLY TO EX PARTE SUBMISSIONS

On May 13, 1998, Kendall Telephone, Inc. ("Kendall"), a subsidiary of Century Telephone Enterprises, Inc. ("Century"), and Wisconsin Bell, Inc. ("Ameritech Wisconsin") (together, the "Parties") jointly submitted the above-referenced Petition for waiver of the Commission's study area freeze, its all-or-nothing price cap rule, and certain Part 69 requirements with respect to Kendall's purchase from Ameritech Wisconsin of 19 local exchanges located in parts of northern and central Wisconsin (the "Exchanges"). The time period in which to file formal comments on or oppositions to the Petition has now expired, and no such comments or oppositions were filed. Thus, the Petition is formally unopposed.

Prior to the filing of the Petition, the Commission received ex parte submissions regarding this transaction in the form of numerous letters (approximately 376), all using identical language, sent by members of the Communications Workers of America union ("CWA") to FCC Chairman William E. Kennard. The vast majority of the letters contain merely a signature, with no address or other identifying information of the sender. Thus,

neither the Commission nor the Parties can discern from the submissions the level of interest in the proceeding of any given individual. In fact, it is not clear whether any of the 376 letters even came from Wisconsin residents, or from any of the 46 non-management employees that will be affected by this transaction.

Although these submissions do not amount to formal objections to the Petition, and the Parties were not served with these letters, Ameritech Wisconsin and Kendall take this opportunity to address the ex parte submissions and to reiterate the public interest benefits of the transaction.

I. THE PROPOSED SALE WILL ENHANCE SERVICE FOR AFFECTED CUSTOMERS

The form letter signed by CWA members appears to focus on service quality concerns, although the letters fail to provide a factual or legal basis on which to conclude, as they purport, that the “sale will negatively impact universal quality service.” Instead, the letters complain in general terms about the overall failure of the Telecommunications Act of 1996 to spur competition.

Contrary to the unspecified service quality concerns expressed by CWA members, grant of the requested waivers will result in tangible improvements in service quality and customer service, which will enable customers of the Exchanges to receive service that is affordable and responsive to the unique needs of rural and low-density communities.

First, the proposed sale will lead to more services being made available to the affected customers more quickly. After the proposed sale, customers in the Exchanges will be able to select from all of the services that Ameritech Wisconsin currently provides, plus voice mail, local Internet dial-up access, and an additional long-distance provider. In fact, customers in the Exchanges are eagerly awaiting Century’s local Internet dial-up access service, and have

already written to Century expressing their enthusiasm with this and other aspects of the transaction. These customer endorsements of the sale and its accompanying service improvements alone should support grant of the requested waivers.

Second, approval of the transaction will bring customer service closer to the customer. By connecting Century's existing customer service resources in adjacent communities with the resources of the new Exchanges, customer service will become more convenient for the affected customers, which will likely accelerate service innovations responsive to the communities. For example, Kendall plans to open local payment offices in several communities, where customers can pay their bills and access service information in person, if they so desire.

Moreover, Kendall, backed by Century, plans to invest more than \$15 million to upgrade the infrastructure and services of the Exchanges in the first three years following their acquisition. Planned capital expenditures include investments in software to upgrade the switching facilities, transport facilities and access architecture in the Exchanges. This anticipated investment follows the previous investment of \$190 million in Wisconsin local exchange infrastructure made by Century and its affiliated companies over the last five years.

Furthermore, as stated in the Petition, the Wisconsin Public Service Commission has reviewed the transaction and has written the Common Carrier Bureau indicating that it does not oppose the grant of the requested study area waivers for Kendall and Ameritech Wisconsin.¹

¹ See Letter from Lynda L. Dorr, Secretary to the Public Service Commission of Wisconsin, to A. Richard Metzger, Jr., Chief of the Common Carrier Bureau, attached as Exhibit B to the Petition.

The Wisconsin Exchanges at issue are among some of the smallest in the nation, ranging in size from 734 to 19,944 access lines. With Century's long-standing commitment to serving rural and small town areas, and its financial backing, Kendall is uniquely situated to serve the telecommunications needs of the customers in these remote locations.

II. THE PROPOSED SALE WILL NOT HARM THE WISCONSIN TELEPHONE INDUSTRY LABOR FORCE

Although local labor issues are not within the usual scope of the Commission's review of a transaction such as this, the Parties do not expect that any worker will be laid off as a result of the proposed sale. Both of the parent companies involved in the proposed sale have solid employee relationships and histories, which include long-standing employment ties in and around the communities in the Exchanges. Century, for example, currently employs more than 830 employees in Wisconsin and more than 5,600 employees nationwide. Ameritech has approximately 74,000 employees nationwide.

The Parties do not expect that any Wisconsin worker will lose a job through the consummation of the proposed transaction. In fact, all Ameritech Wisconsin employees affected by this sale received offers of employment from Ameritech Wisconsin. In addition, 39 non-management employees affected by the sale who expressed an interest in Century have received offers from Century and have until July 15th in which to respond. Where necessary, the Parties are committed to relocating the affected employees to other operations located as close as possible to their current assignment. Century believes that the transaction ultimately will create 80 new jobs in Wisconsin, 40 in LaCrosse and 40 at various locations within Century's service areas.

III. CONCLUSION

As demonstrated in the Petition and reiterated herein, the sale of the Exchanges from Ameritech Wisconsin to Kendall serves the public interest, and the requested waivers satisfy the Commission's waiver standards. The waivers will permit Ameritech Wisconsin and Kendall to consummate a transaction that will produce overall benefits for customers, and operating efficiencies for the companies, without negatively affecting the Wisconsin telecommunications labor force.

For all of the foregoing reasons, the Parties respectfully repeat their request that the waivers be expeditiously granted.

Respectfully submitted,

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